



USDA Foreign Agricultural Service

# GAIN Report

Global Agriculture Information Network

Template Version 2.09

Required Report - Public distribution

**Date:** 11/14/2008

**GAIN Report Number:** MX8067

## Mexico

## Dairy and Products

## Annual

## 2008

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**Report Highlights:**

Non-fat dry milk (NFDM) exports from the U.S. to Mexico have skyrocketed in the first half of the year (January to July) following full NAFTA implementation. However, the financial crisis and peso devaluation will flatten retail and processing disappearance in the next 6-12 months. Higher worldwide milk prices will allow Mexico's imports of non-fat dry milk, cheese, and butter to increase at marginal rates in the short and the medium terms as opposed to the high growth rates of the past 10 years. LICONSA, a parastatal dairy enterprise, has increased utilization of domestic fluid milk significantly in order to support the domestic dairy sector. In CY 2008, LICONSA expects to use 600 million liters of domestically produced milk, 62 percent more than in 2007.

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Includes PSD Changes: Yes  
Includes Trade Matrix: Yes  
Annual Report  
Mexico City [MX1]  
[MX]

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**Section I. Situation and Outlook**

After a moderate increases in 2007, U.S. exports of non-fat dry milk to Mexico for CY 2008 are surging past last year's numbers. In addition to milk powder, Mexico has imported more U.S. dairy blends, lactose, and whey powder. In fact, U.S. lactose exports to Mexico from January to July 2008 are up by nearly 40 percent relative to the same period in 2007.

Following full implementation of NAFTA this year, the Mexican dairy sector is now operating within a fully liberated North American market. With increasing demand for dairy and dairy products, the Mexican Government has opened third country TRQ's. Although the full NAFTA implementation occurred smoothly and with relatively few complaints from the domestic industry, higher international prices, financial and political pressures have force LICONSA to buy more domestic fluid milk. Consequently, the use of imported NFDM within LICONSA's programs continues to decline.

Moreover, the worldwide financial crisis and the peso devaluation will flatten retail and processing disappearance in the next 6–8 months. The devaluation of the peso will dampen the importation of U.S dairy products. In comparison, the peso has not fallen as rapidly relative to the euro, and thus, U.S. dairy products will face stiffer competition from European dairy products.

**Data included in this report are not official USDA data. Official USDA data are available at: <http://www.fas.usda.gov/psd>**

## Section II. Statistical Tables

PSD TABLE									
<b>Country:</b>	<b>Mexico</b>								
<b>Commodity:</b>	<b>Dairy, milk, fluid (1000 Head) (1000 MT)</b>								
	2007 revised			2008 Estimated			2009 Forecast		
	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New
<b>Market Year Begin</b>	<b>01/2007</b>			<b>01/2008</b>			<b>01/2009</b>		
Cows In Milk	6,885	6,885	6,885	6,887	6,887	6,887			6,890
Cows Milk Production	10,290	10,100	10,656	10,300	10,185	10,814			11,030
Other Milk Production	168	165	172	168	168	172			175
Total Production	10,458	10,265	10,829	10,468	10,353	10,986			11,205
Other Imports	93	50	93	96	50	100			105
Total Imports	93	50	93	96	50	100			105
Total Supply	10,551	10,315	10,922	10,564	10,403	11,086			11,310
Other Exports	0	0	0	0	0	0			0
Total Exports	0	0	0	0	0	0			0
Fluid Use Dom. Consum.	4,431	4,344	4,275	4,437	4,350	4,253			4,275
Factory Use Consum.	6,120	5,971	6,647	6,127	6,053	6,833			7,035
Feed Use Dom. Consum.	0	0		0	0	0			0
Total Dom. Consumption	10,551	10,315	10,922	10,564	10,403	11,086			11,310
Total Distribution	10,551	10,315	10,922	10,564	10,403	11,086			11,310

Note: Not Official USDA Data

PSD TABLE									
<b>Country:</b>	<b>Mexico</b>								
<b>Commodity:</b>	<b>Dairy, cheese (1000 MT)</b>								
	2007 revised			2008 Estimated			2009 Forecast		
	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New
<b>Market Year Begin</b>	<b>01/2007</b>			<b>01/2008</b>			<b>01/2009</b>		
Beginning Stocks	0	0	0	0	0	0			0
Production	154	147	147	160	150	150			152
Other Imports	90	88	89	93	90	90			90
Total Imports	90	88	89	93	90	90			90
Total Supply	244	235	236	253	240	240			242
Other Exports	2	2	3	2	2	2			2
Total Exports	2	2	3	2	2	2			2
Human Dom. Consumption	242	233	233	251	238	238			240
Other Use, Losses	0	0	0	0	0	0			0
Total Dom. Consumption	242	233	233	251	238	238			240
Total Use	244	235	236	253	240	240			242
Ending Stocks	0	0	0	0	0	0			0
Total Distribution	244	235	236	253	240	240			242

Note: Not Official USDA Data

PSD TABLE									
<b>Country:</b>	<b>Mexico</b>								
<b>Commodity:</b>	<b>Dairy, butter (1000 MT)</b>								
	<b>2007 revised</b>			<b>2008 Estimated</b>			<b>2009 Forecast</b>		
	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New
<b>Market Year Begin</b>	<b>01/2007</b>			<b>01/2008</b>			<b>01/2009</b>		
Beginning Stocks	0	0	0	0	0	0			0
Production	126	121	126	130	123	130			132
Other Imports	53	50	53	62	50	58			62
Total Imports	53	50	53	62	50	58			62
Total Supply	179	171	179	192	173	188			194
Other Exports	0	0	0	0	0	0			0
Total Exports	0	0	0	0	0	0			0
Domestic Consumption	179	171	179	192	173	188			194
Total Use	179	171	179	192	173	188			185
Ending Stocks	0	0	0	0	0	0			0
Total Distribution	179	171	179	192	173	188			194

Note: Not Official USDA Data

PSD TABLE									
<b>Country:</b>	<b>Mexico</b>								
<b>Commodity:</b>	<b>Dairy, Milk, nonfat Dry (1000 MT)</b>								
	<b>2007 revised</b>			<b>2008 Estimated</b>			<b>2009 Forecast</b>		
	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New
<b>Market Year Begin</b>	<b>01/2007</b>			<b>01/2008</b>			<b>01/2009</b>		
Beginning Stocks	20	20	20	20	20	20			20
Production	202	190	202	222	195	195			195
Other Imports	122	110	111	140	135	163			165
Total Imports	122	110	111	140	135	163			165
Total Supply	344	320	333	382	350	378			380
Other Exports	0	0	0	0	0	0			0
Total Exports	0	0	0	0	0	0			0
Human Dom. Consumption	324	300	313	362	330	358			360
Other Use, Losses	0	0	0	0	0	0			0
Total Dom. Consumption	324	300	313	362	330	358			360
Total Use	324	300	313	362	330	358			360
Ending Stocks	20	20	20	20	20	20			20
Total Distribution	344	320	333	382	350	378			380

Note: Not Official USDA Data

Note: All PS&D import and export figures for CY 2007 and 2008 are based on Global Trade Atlas (GTA) and Mexican Customs Department.

### **Section III. Supply, Demand, Policy & Marketing**

#### **The Mexican Dairy Sector**

The Mexican dairy industry comprises 310 companies employing over 72 thousand people and generates nearly 363 thousand indirect employment opportunities. Since 2000, the dairy processors have expanded production by 40 percent; however, fresh milk production grew by 10 percent. In 2006, total fluid milk production in Mexico represented 21 percent of total livestock output, higher than pork and egg production.

Seventy percent of domestic producers are fully integrated and are located in Jalisco, the Lagunera region (Coahuila and Durango area), Chihuahua, Queretaro and Aguascalientes states, and are responsive to international market forces.

Growth in milk production is greater than population growth; however, it is not sufficient to supply both the industry and the consumer demand for dairy products. Thus, it is necessary to import approximately 24 percent of dairy products and 76 percent of raw materials (milk).

The major milk importer in Mexico is LICONSA, a government enterprise, which distributes subsidized milk to low income consumers, at the current price of 4.00 pesos per liter. LICONSA sources products both domestically and internationally. The primary imported product of LICONSA is non-fat dry milk (NFDM).

#### **Fluid Milk**

##### **Production**

The total number of dairy cows will remain essentially unchanged for 2008 and 2009; however, the production of milk will continue to grow steadily. Fluid milk production for 2009 is forecast to increase 2 percent, reaching just over 11 thousand metric tons. This slight increase is more than the 1.5 percent for 2008; which was due to higher input cost of grains and transport costs incurred by producers. Despite these efforts to be more productive, Mexico's consumption continues to outpace production. Factors such as competitively priced imported milk, financial crisis, peso devaluation, inadequate sanitation, lack of genetics, cold storage and refrigeration infrastructure are limiting and will limit efforts to increase milk production not only with smaller producers, but also the small and medium sized dairies. Even, more sophisticated producers have continued to make modest productivity gains through improved genetics and herd management practices however; they will face financial difficulties for the rest of 2008 and 2009.

The 2007 fluid milk production has been revised higher in this report reflecting higher productivity resulting from technological improvements which begun in 2006 and continued for 2007.

**Table 1. Mexico: Total Production of Fluid Milk by State, Calendar Year 2006–2008 and January–August 2007–2008, in Thousand Liters**

STATE	2006	2007 <sup>1</sup>	2008 <sup>2</sup>	January to August		% Change	
				2007 <sup>1</sup>	2008 <sup>3</sup>	07/08	Jan-Aug 07/08
AGUASCALIENTES	383,658	375,401	380,117	255,003	246,800	1.3%	-3.2%
BAJA CALIFORNIA	166,868	207,915	201,948	140,434	129,876	-2.9%	-7.5%
BAJA CALIFORNIA SUR	44,634	43,150	43,659	29,074	31,364	1.2%	7.9%
CAMPECHE	34,241	35,517	37,284	22,343	23,383	5.0%	4.7%
COAHUILA	1,247,356	1,286,281	1,335,537	868,816	907,654	3.8%	4.5%
COLIMA	39,039	36,146	36,537	15,549	15,864	1.1%	2.0%
CHIAPAS	327,138	353,085	356,618	232,785	248,915	1.0%	6.9%
CHIHUAHUA	808,641	817,919	853,962	562,193	630,763	4.4%	12.2%
DISTRITO FEDERAL	13,138	10,058	13,880	7,065	8,302	38.0%	17.5%
DURANGO	1,014,535	1,019,227	1,038,714	672,500	696,444	1.9%	3.6%
GUANAJUATO	673,007	674,660	670,025	443,588	426,380	-0.7%	-3.9%
GUERRERO	81,868	82,001	78,974	51,487	50,748	-3.7%	-1.4%
HIDALGO	445,465	460,773	468,641	308,776	305,984	1.7%	-0.9%
JALISCO	1,697,486	1,793,579	1,809,681	1,194,340	1,193,869	0.9%	0.0%
MEXICO	476,231	478,211	454,254	304,285	306,824	-5.0%	0.8%
MICHOACAN	328,404	328,185	331,960	210,847	209,727	1.2%	-0.5%
MORELOS	18,551	21,105	18,718	13,487	12,654	-11.3%	-6.2%
NAYARIT	64,506	64,536	66,539	42,877	42,931	3.1%	0.1%
NUEVO LEON	39,473	41,432	40,142	26,824	25,870	-3.1%	-3.6%
OAXACA	140,720	142,795	145,218	82,529	82,669	1.7%	0.2%
PUEBLA	367,963	384,707	391,442	257,687	255,410	1.8%	-0.9%
QUERETARO	198,488	200,835	200,046	132,249	130,968	-0.4%	-1.0%
QUINTANA ROO	5,250	5,642	5,809	3,818	3,775	3.0%	-1.1%
SAN LUIS POTOSI	147,591	140,630	146,040	93,319	93,507	3.8%	0.2%
SINALOA	82,067	88,633	101,827	56,193	64,658	14.9%	15.1%
SONORA	142,052	137,780	136,117	93,381	92,855	-1.2%	-0.6%
TABASCO	115,617	110,603	117,477	85,137	85,377	6.2%	0.3%
TAMAULIPAS	31,520	29,224	30,327	19,241	20,267	3.8%	5.3%
TLAXCALA	99,158	110,258	117,214	75,110	75,671	6.3%	0.7%
VERACRUZ	681,809	692,754	699,932	452,628	467,699	1.0%	3.3%
YUCATAN	6,769	5,557	5,798	3,785	3,584	4.3%	-5.3%
ZACATECAS	165,309	167,383	164,560	104,513	100,788	-1.7%	-3.6%
<b>NACIONAL</b>	<b>10,088,551</b>	<b>10,345,982</b>	<b>10,498,994</b>	<b>6,861,864</b>	<b>6,991,579</b>	<b>1.5%</b>	<b>1.9%</b>

1. Secretariat of Agriculture, Livestock, Rural Development, Fishing and Food (SAGARPA) definitive figures for 2007

2. SAGARPA's forecast figures for 2008

3. SAGARPA's revised forecast figures for 2008

Source: Boletín Leche April-June 2008, Servicio de Información Agroalimentaria y Pesquera (SIAP), SAGARPA

**Table 2. Mexico: Monthly Fluid Milk Production, Calendar Year 2006-2008 and Year to Year Percent Change, In Thousand Liters**

Month	2006	2007 <sup>1</sup>	% change 06/07	2008 <sup>1</sup>
January	786,930	833,261	5.9%	827,378
February	775,689	805,848	3.9%	814,461
March	793,132	831,644	4.9%	841,048
April	805,639	841,711	4.5%	848,215
May	818,556	863,463	5.5%	871,000
June	842,026	857,882	1.9%	901,167
July	914,126	910,222	-0.4%	939,670
August	894,473	917,834	2.6%	948,641
September	881,658	899,435	2.0%	N/A
October	873,764	908,221	3.9%	N/A
November	846,082	858,431	1.5%	N/A
December	856,476	818,030	-4.5%	N/A
<b>TOTAL</b>	<b>10,088,551</b>	<b>10,345,982</b>	<b>2.6%</b>	<b>6,991,580</b>

1. Preliminary figures from SAGARPA

N/A: Not available

Source: Boletín Leche Abril-June 2008, Servicio de Información Agroalimentaria y Pesquera (SIAP), SAGARPA

## Consumption

In CY 2009 fluid milk consumption is expected to increase slightly (2%) relative to CY 2008. Direct consumer consumption of fluid milk is expected to remain basically even with CY 2008 (.5% more), while processing use is expected to increase by three percent.

Mexico's dairy processors continue to supply a variety of quality dairy products to consumers. Growth in demand in the medium term is heavily dependent on consumer income, which may be negatively affected by the global financial crisis.

As previously reported, LICONSA was attempting to decrease its dependence on NFDM imports, in order to support domestic dairy producers. In CY 2008, LICONSA is estimated to have purchased 600 million liters of domestically produced milk (62% more than 2007), of which 500 million liters was purchased at 4.00 pesos, plus a quality incentive, per liter. The remaining amount will be purchased at 4.00 pesos per liter plus a quality incentive, plus an additional 30 cent paid by SAGARPA. This level of market intervention demonstrates the Mexican government's commitment to purchasing locally prior to importing.

LICONSA announced the 2009 sales price of milk will be maintained at 4 pesos per liter for low-income consumers.

Consumption of fresh fluid milk continues to be hampered by problems with sanitation, transportation, and processing capacity, but supplies and quality are improving.

## Trade

Three years ago New Zealand and Australia were the leading exporters of dairy cattle to Mexico. In CY 2007, New Zealand exported 18,735 head of replacement heifers (42% of



Mexican total cow imports) and Australia exported 17,974 head (41%) to Mexico, The United States only exported 7,645 head (17%). However, this import structure has reversed with the removal of the bovine spongiform encephalopathy (BSE) import ban of live animals. Through July 2008, U.S. exports of live dairy cattle to Mexico have reached 12,961 head (170% more than in 2007), while Australia has exported 13,550 head (75% of its export in 2007) and New Zealand has exported 11,151 (60% of its exports in 2007).

Mexico continues to be an attractive market for U.S. dry milk exports. While Mexican milk production is increasing at an average of 1.5 percent every year, the food processing sector requires an increase of at least 3 percent every year.

Fluid milk imports for CY 2009 are forecast to increase 5 percent with respect to the revised CY 2008 estimate because of a higher imported price as a result of the devaluated peso. In the current year it is expected that fluid milk trade will increase 7.5 percent with respect to 2007. This growth in imports is primarily attributable to increased supply within border cities following full NAFTA implementation. The CY 2007 fluid milk import number was revised and reflects official Secretaria de Agricultura Ganaderia, Desarrollo Rural, Pesca y Alimentacion (SAGARPA) data.

The import of dry milk could be more attractive to the industry because of a reduction in the world dry milk price; because the current local fluid milk price in Mexico is 4.50 pesos per ton compared to the world dry milk price of 3.80 pesos per ton. However, in order to make a meaningful comparison to the local price it is necessary to add transportation costs to the world dry milk price.

## **Cheese**

### **Production**

Despite the growing consumer demand, CY 2009 cheese production is expected to increase roughly 1.3 percent over CY 2008, which in turn registered a 2 percent increase over CY 2007. CY 2009 production is eased because of a lower demand as the result of reduced consumer income and the availability of cheaper products with the opened market. In CY 2008 commercial cheese processors, particularly those using imported non-fat dry milk, continue to increase production as they strive to meet growing consumer demand for processed and restaurant products containing cheese. CY 2008 cheese output remains unchanged at 150,000 MT. Output for CY 2007 reflects official SAGARPA data.

### **Consumption**

CY 2009 cheese consumption is forecast to increase only 1 percent as a result of greater demand from middle class consumers. Cheese consumption for CY 2008 remains unchanged from the previous estimate and is 2.14 percent higher than the consumption for CY 2007, according to official SAGARPA data.

For 2007 and 2008, at least 36 to 40 percent of cheese was imported to cover the demand. On average 10 liters of milk are needed to produce a kilogram of cheese, thus it is easier to import cheese than produce it. Furthermore, there is a weak milk supply in Mexico and the Mexican Government is focusing on developing a more reliable milk supply.

**Trade**

Cheese imports are not expected to increase in CY 2009 due to higher import prices and a lack of consumer preference for higher priced non-Mexican cheeses. However, the growing middle class in Mexico is expected to continue to foster consumer demand for imported cheeses throughout 2008, 2.1 percent more than 2007. The revised figures for CY 2008 remains unchanged from the previous reports.

Imports for CY 2007 reflect official SAGARPA data.

**Butter****Production**

In Mexico, statistics on butter and butterfat production are not maintained separately; thus, the information presented in PSD tables contains numbers for butter and butterfat. Butter and butter fat production for CY 2009 is forecast at 132 thousand metric tons, a slight increase of 1.5 percent over CY 2008's revised estimate. This is due to the marginal increase in fluid milk output and improved returns to processors. For CY 2008, the butter production estimate was revised upward due to increased availability of fluid milk and increased usage by the domestic baking and confectionary industries. Production for CY 2007 reflects official SAGARPA data.

**Consumption**

Combined butter and butterfat consumption for CY 2009 is forecast to increase 3.19 percent compared to the growth in 2008 of 5 percent. The estimate for CY 2008 was revised upward as a result of the expected increase in usage by the baking, confectionary and food processing industries. Consumption for CY 2007 reflects official SAGARPA data.

**Stocks**

No stocks are held due to the lack of refrigerated storage space among producers and end users. End users maintain just-in-time inventories for these products.

**Trade**

With greater domestic consumption, imports are forecast to increase nearly 7 percent in CY 2009 reaching 62 TMT, compared to CY 2008 revised estimation of 58 TMT a 9.4 percent year to year increase due to expanded domestic production of fluid milk. Imports for CY 2007 reflect revised data.

**Non-Fat Dry Milk (NFDM)****Production**

In Mexico, SAGARPA combines production figures of NFDM and whole milk powder (WMP), thus, it is difficult to analyze production and consumption trends for these two products

separately. The 2009 domestic production of NFDM will remain at the 2008 level of 195 TMT due to the lack of investment in facilities to produce dry milk. The estimated production figures for CY 2008 remain unchanged. The data shows a decrease in CY 2008 because of competitively priced imports of NFDM and the financial crisis which limits processing capacity.

The production in CY 2007 reflects official SAGARPA data.

### **Consumption**

NFDM consumption for CY 2009 is forecast at 380 TMT, approximately equal to 2008 levels, due to anticipated stagnant demand for dairy products in both the consumer and industrial markets.

Despite the financial crisis and higher prices, in CY 2008 consumption is expected to increase 14.4 percent. For CY 2008 the estimate was revised upward due to higher imports through July 2008, population growth and greater demand from the dairy processing sector. Sixty three percent of the total supply of NFDM is bought by LICONSA, around 35 percent of milk powder is bought by processors. Processors use NFDM to make reconstituted milk, cheese, and/or other dairy products, and a small amount is sold by supermarkets and small retailers, while the HRI sector consumes the remaining amount.

The consumption figures for CY 2007 reflect official SAGARPA data.

### **Stocks**

Although the major quantity of NFDM, both imported and domestically, is used for further processing, LICONSA is the main holder of milk powder stocks. In past years, LICONSA has attempted to maintain larger stock levels to avoid importing during the first quarter of the year when domestic milk production is at its lowest. Stock levels are expected to remain steady as LICONSA seeks to reduce storage costs while maintaining enough stocks to minimize imports during the last half of 2008 and 2009 given the unstable dollar-peso exchange rate.

### **Trade**

Although dry milk imports have increased 15 percent each year, it is estimated that in CY 2009 imports will show an increase of only 1.22 percent due to financial instability worldwide and the probable strengthening of the dollar against the peso. However, for CY 2008, the NFDM imports are being revised to reflect the surge of imports which are almost 47 percent greater than previous estimates. This is because of the lack of domestic production of dry milk to cover the increase demand.

In the current year dry milk imports have skyrocketed; from January to June 2008 sales were almost equal to 2007 total year sales, due to lower prices and full implementation of NAFTA as of January 1, 2008. In addition to larger volumes of NFDM imports, there are newer importers entering the market because of the access to duty free milk powder.

Through July 2008, Mexico imported 92,605 MT of NFDM from the United States, which is 122 percent more than the same period last year and only imported 10,786 MT from all other countries. Imports from United Kingdom and Canada have dropped precipitously, while NFDM imports from New Zealand are showing significant growth (87%) relative to CY 2007.

Imports for CY 2007 reflect revised data.

**Table 3. Mexico: Imports of Total Non-Fat Dry Milk Powder, HS: 0402.10.01, Calendar Year 2006-2007 and January-July 2007-2008, In MT**

Country of Origin	Calendar Year		January-July	
	2006	2007	2007	2008
United States	77,969	83,016	41,566	92,605
New Zealand	9,266	12,097	5,421	10,142
United Kingdom	525	5,786	3,734	0
Canada	1,057	2,205	589	144
Others	8,133	8,379	5,025	500
<b>Total</b>	<b>96,950</b>	<b>111,483</b>	<b>56,335</b>	<b>103,391</b>

Source: World Trade Atlas, Mexico Edition

## Whole Milk Powder (WMP)

### Production

As previously stated, production data for WMP is not available; SAGARPA combines production figures of NFDM and WMP. Selected processors, including dairy cooperatives, are attempting to increase WMP production to absorb seasonal oversupplies of fluid milk, however, due to limited processing capacity; Mexico will still have to complement domestic production with imports.

### Policy

In order to assure domestic supply of dairy products, the Mexican Government has made some domestic policy changes that will have an impact on both the domestic and the international trade fronts:

- LICONSA Purchases –In September 2008 the Government of Mexico agreed to pay milk producers 0.30 pesos more for each liter of milk in addition to the LICONSA payment. LICONSA will buy 100 million liters of milk from domestic producers between now and the rest of the current year. SAGARPA has offered a support of 0.30 pesos per liter (30 million pesos) over the ceiling price of \$4.70 pesos paid by LICONSA. This was the result of the influence of smaller dairy producers, who despite not having influence over prices have some political influence over domestic dairy policies.
- NFDM Import Permits - ,World Trade Organization members are eligible to use a global duty-free tariff-rate quota for dry milk imports in the amount of 80,000 MT (see MX8008).
- The free trade agreement with Nicaragua includes a 5 thousand ton duty-free tariff-rate quota. According to the Federal Register (Diario Oficial), this dutyfree TRQ will be available from 2008 to 2012, and 4 thousand tons will be assigned to individuals, companies or associations who have registered dry milk imports in previous years, and one thousand tons for those who have no previous dry milk imports of record.

## Marketing

Mexico is expected to continue as a significant importer of dairy products to augment domestic production. While imports are likely to consist primarily of raw material and bulk products such as NFDM, higher-value products such as specialty cheeses and ice creams are also likely to find a home in Mexico's growing middle class as tastes, preferences, and shopping habits increasingly mirror those of the United States and Europe.

Furthermore, due to the financial crisis, devaluation and higher prices, the rest of the current year and parts of 2009 the majority of consumers will purchase cheaper generic brands, due to the increase of some branded product prices. In Mexico, Nielsen (a survey company) found that generic products sales have increased for meat, frozen poultry, cereals, cookies, oils, animal foods, milk, packed eggs, rice and beans. However, the Mexican milk industry reinforcing its promotional campaigns to stimulate the consumption.

According to Banco de Mexico, the inflation rate for the month of September 2008 for meat and dairy products was 4.47 percent compared to last year's rate of 4.93 percent. However, all gains from a reduced inflation rate are offset by the current devaluation of the peso relative to the dollar.

The US Dairy Export Council (USDEC) represents the U.S. dairy industry in Mexico City. The council's staff provides information on all aspects of U.S. dairy product trade and use, including market intelligence on trade policy issues, organizing informational seminars for the Mexican trade, and developing promotion and sales opportunities for U.S. dairy products in the Mexican market. USDEC also organizes buying missions for potential Mexican importers/distributors to visit U.S. dairy processing plants so they can meet and see, firsthand, various U.S. suppliers and the services they offer.

For further marketing information contact the following organizations.

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**Other Relevant Reports**

MX8068: Mexico Announces TRQ for Milk Powder Imports from Nicaragua

<http://www.fas.usda.gov/gainfiles/200811/146306324.pdf>

MX8052: Livestock and Products Annual

<http://www.fas.usda.gov/gainfiles/200810/146296082.pdf>

MX8033: Dairy and Products Semi-Annual

<http://www.fas.usda.gov/gainfiles/200805/146294656.pdf>

MX8009: Mexico Announces the TRQ to import Dairy Preparations for 2008

<http://www.fas.usda.gov/gainfiles/200802/146293685.pdf>

MX8008: Mexico Announces TRQ for Milk Powder Import from WTO Member Countries

<http://www.fas.usda.gov/gainfiles/200802/146293685.pdf>